



November 18, 1997

Cynthia L. Johnson, Director
Cash Management Policy & Planning Division
Financial Management Service
U.S. Department of the Treasury Room 420
401 14th Street S.W.
Washington D.C. 20227

Dear Ms. Johnson:

The Board and Management of Chartway Federal Credit Union appreciate the opportunity to comment on the conversion of Federal payments from checks to electronic funds transfer (EFT). For a number of years, we have encouraged our members to start direct deposit of Federal payments for their convenience and for the safety of the delivery mechanism.

We concur that it is appropriate to refer to existing practice and the regulations of the agencies making Federal payments in defining "authorized payment agent". These rules have worked well in the past and will ensure uniformity between all Federal agencies.

Unlike state benefit programs, we believe that Regulation E should be applied to these accounts. Since one of Treasury's domestic objectives is to move the "unbanked" into the financial services mainstream, they should be afforded equal protection and have the same liabilities as regular "customers" of the institution.

At a minimum, Treasury should make available ATM-accessible (cash withdrawal) accounts for individuals who must receive Federal payments by EFT but do not have an account at a financial institution. Some institutions who would like to serve these individuals may not want to provide full debit card (for purchases) capability, especially if their debit card program is not on-line. Off-line programs are susceptible to fraud.

The cost of the account to the recipient should be a factor for selecting the account structure and/or providers; however, convenience and accessibility to funds must also be considered. The ETA should be structured as a basic account with the ability to make further unlimited electronic or non-electronic deposits. The account should have

unlimited ATM access, debit card features (on-line programs), a fixed monthly fee with additional fees for added features. Savings features should be available.

Broad geographic reach is important and generally can be met through ATM networks. To convert those individuals who now cash their benefit checks at the corner store and deal with cash for the balance of the month, Treasury will need to show that it is more convenient to use electronic access. In underserved areas where financial institutions are unwilling/unable to place access devices, the use of money transmitters such as Western Union may be feasible. The proposal mentions the use of check cashers, but they are not uniformly regulated from state to state and tend to be "local" in their ownership and we would not recommend their inclusion in the program.

If non-financials are permitted to participate in this EFT program, the account structure should allow only for personal withdrawal. To allow checks, ATM or debit card transactions when these businesses are not regulated as financials would not be appropriate.

As a large credit union with offices in multiple geographic regions we would welcome the opportunity to participate in the EFT '99 program. We have already gained a fair number of direct deposits by advertising the Treasury initiative and urging our members to sign up through the **Quick\$tart** enrollment process.

Thank you for the opportunity to comment on this proposal. The efficiency and safety of Electronic Funds Transfer is certainly a benefit that every Federal payment recipient should enjoy.

Sincerely,

A handwritten signature in black ink, appearing to read "Jack McGrath", written over a horizontal line.

Jack McGrath, Chairman
Legislative/Regulatory Committee

cc: National Association of Federal Credit Unions